I. Summary of significant accounting policies

The financial statements of the County of Bernalillo (County) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

A. Reporting entity

The County was established by the laws of the Territory of New Mexico of 1876, under the provisions of the act now referred to as Section 4-1-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (sheriff, fire, emergency medical, etc.), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administration services.

The County's basic financial statements include all activities and accounts of the County's "financial reporting entity."

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government if they are unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The financial statements of the Bernalillo County Housing and Redevelopment Corporation (a New Mexico Not-for-Profit Corporation) have been included in the County's combining and combined financial statements as a "discretely presented" component unit. The Bernalillo County Housing and Redevelopment Corporation's (Corporation) governing body is the Bernalillo County Commissioners and is legally separate from the County. All financial operations are under the control of the Bernalillo County Housing Department.

The Corporation was established to provide low rent housing facilities in accordance with the provisions of the United States Housing Act of 1936. The Corporation, with approval of the Commission, has the right to issue, sell and deliver revenue bonds; encumber real estate; and to enter into contracts for the sale of bonds, construction or acquisition of low rent housing facilities. Such bonds, notes, certificates of indebtedness, and obligations shall not constitute a statutory or charter debt limitation or restriction. The Commission will accept title to, or other interest in, any real or personal property upon dissolution of the Corporation at the time final payment is made on authorized obligations to the extent permitted under the laws of the State of New Mexico.

There were no other component units during the fiscal year ended June 30, 2004. Complete financial statements for the Corporation can be obtained from the entity's administrative offices.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. **Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is made.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General fund* is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Grant fund* accounts for various federal, state and other grant funding sources received by the County. The grants are restricted to specific purposes as agreed to between the County and the funding source as enumerated in the grant agreement/contract.

The *Water/Wastewater fund* accounts for various federal, state and other funding sources received by the County for water/wastewater project planning, design, and construction.

Additionally, the government reports the following fund types

Internal service funds account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 84% of the operating revenues of the County's four proprietary funds consist of user and administrative fees.

The modified accrual basis of accounting is followed by the governmental fund types and agency funds for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period (amounts collected within 60 days after year end).

Those revenues susceptible to accrual are property taxes, gross receipts taxes, state shared taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the incurrance of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are recorded.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Investments in the County's cash and investment pool are stated at cost, which approximates fair value except for GNMAs and PEFCOs which are recorded at fair market value using quoted market prices for financial statement purposes. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

State Statute Sections 6-10-44 and 6-10-10(f), NMSA 1978, as amended, authorize the County Treasurer to invest in United States Treasury certificates, United States Treasury bonds or negotiable securities of the United States, bonds or negotiable securities of the State of New Mexico or of any county, municipality, or school district and yield maintenance repurchase agreements with the advice and consent of the County Board of Finance. The Treasurer's investment procedures must be consistent with Bernalillo County Investment Policy (Amended Resolution No. 60-93).

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back within the year are referred to as "due to/from other funds." Lending/borrowing arrangements not expected to be paid back within the year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 6.0% of outstanding property taxes at June 30, 2004.

The County is responsible for assessing, collecting and distributing property taxes for other governmental entities and its own operational and debt service purposes. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by April 10 of the following year. Property taxes are delinquent if not paid by December 10 and May 10. Taxes on real property are a lien from January 1 of the year for which the taxes are imposed. Collections and remittance of County property taxes are accounted for in the County Treasurer Agency Funds. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and prepaid items

The inventories in the general fund consist of fuel, vehicle parts, and fluids. Inventories are recorded using first-in, first-out cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased; therefore, the inventory amount is not available for appropriation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain long-term assets in the Enterprise funds and the component unit are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as “deposits held in trust for others.”

5. Capital assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $1,000 and estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	10-80
Buildings and other improvements	15-40
Machinery and equipment	5-10

6. Compensated absences

County employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, vacation costs are recognized as a liability when earned.

County employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. For proprietary funds, sick leave costs are recognized when vested or taken, whichever occurs first.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Assets

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the County, not restricted for any project or other purpose.

9. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

Reserved for debt service - Amounts legally restricted for the payment of long-term debt.

Reserved for inventory - Segregates a portion to indicate that although supplies inventory is an asset, it does not represent an available, spendable resource.

Reserved for note receivable - Segregates a portion to indicate that although the notes receivable is an asset, it does not represent an available, spendable resource.

Reserved for advances to other funds - The amount of advances to other funds not available for appropriation and/or expenditure.

Reserved for prepaid items - Segregates a portion to indicate that although prepaid items are an asset, it does not represent an available, spendable resource.

Reserved for encumbrances - Represents the amounts that were budgeted as current year expenditures, which were unspent at year-end and which were encumbered and rebudgeted for the subsequent year.

Reserved for subsequent years' expenditures - Represents the amounts, other than carryover expenditures, that are required to be designated for subsequent years' expenditures.

Unreserved, undesignated – Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the County.

10. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

11. Bond Premiums/Issuance Costs

In governmental fund types, bond premiums and issuance costs are recognized in the current period. Bond premiums are presented, separately as other financing sources.

12. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government –wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets –governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and bond anticipation notes payable	$ (275,603,940)
Capital leases payable	(1,774,674)
Compensated absences	(8,009,888)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	$ (285,388,502)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, "Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$ 19,836,585
Expenses- general government	1,069,939
Depreciation expense	(20,953,141)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ (46,617)

Another element of that reconciliation states that, "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bond	$ (22,210,000)
Bond issuance cost	346,043
Principal repayments:	
General obligation and revenue bonds	10,981,806
Capital leases	185,375
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	$ (10,696,776)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	$	(865,030)
Accrued interest		(355,755)
Deferred charges		(78,236)
Amortization of issuance cost		(33,817)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$	(1,332,838)

III. Stewardship, compliance and accountability

A. Budgetary information

Actual amounts on the budgetary basis financial statements are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, most special revenue, and debt service funds. The proprietary funds, internal service fund, and the following governmental funds did not adopt annual operating budgets during the current fiscal year:

Special Revenue:	Debt Service:
Grants	Series 1996 Reserve
Farm and Range	Series 1996B Reserve
Public Works Grants	Series 1997 Reserve
Section 8 Housing – Vouchers	Refunding Series 1998 Reserve
Sheriff's Investigative Fund	Series 1999 Reserve
Law Enforcement Block Grants	All Capital Projects Funds
	Component Unit - Redevelopment Corporation

Budget amounts for Capital Projects Funds and certain Special Revenue Funds are individual project budgets authorized by the County Commission for the entire length of the project. The County Manager has administrative authority to make line item changes within a specific capital project without County Commission approval if the total change does not exceed 10 percent of the original budget. Once the County Commission has approved grant applications for projects, the County Manager is authorized to expend any funds awarded as a result of the grant application.

The County Manager is responsible for preparing the budget from requests submitted by division directors. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

Transfers of appropriations within a fund may be made with cognizant Division Director or elected official approval. Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the following funds, whose legal level of budgetary authority is at the program or district level:

Emergency Medical Services
Fire Districts

All outstanding encumbrances must be rebudgeted in the next year's budget. During the year, several supplementary appropriations were necessary.

Budgetary compliance – non GAAP financial statements

The County prepares its annual budget on a non-GAAP basis of accounting as described above. A reconciliation of the general fund non-GAAP statement to the GAAP statement is as follows:

	General Fund
Net changes in fund balance – GAAP basis	$ 4,503,774
(Increases) decreases in assets:	
Accounts receivable	178,951
Due to/from other funds	(749,718)
Accrued interest	354,943
Inventory	1,221
Prepaid	(23,505)
Increase (decrease) in liabilities:	
Accounts payable	(13,694,569)
Deferred revenue	(308,850)
Accrued payroll	704,895
Prior period adjustment	1,450,162
Net changes in fund balance – Budget to Actual	$ (7,582,696)

B. Deficit fund equity

There is a deficit fund balance in the Series 1997 and 1999 Series Debt Service Funds in the amount of $200,150 and $43,649 respectively. Subsequent fiscal year General Fund revenue transfers and interest revenues generated from the 1997 and 1999 Debt Service Reserve Fund will cover the deficits in these funds. There is unreserved/undesignated deficit fund balance in the Public Works Grants Fund and in the Law Enforcement Block Grant Fund in the amount of $491,349 and $23,072 respectively. The deficit fund balances are primarily attributed to large encumbrance balances at year-end. The County expects to bill the granting agency in the future to cover the deficits in these funds. There is deficit fund balance of $42 in the Clerk's Bilingual fund. The County will transfer sufficient funds from the General Fund in FY05 to cover the deficit and to close out this fund. There is a deficit net asset balance of $16,655 in the Solid Waste Fund. The County expects that FY05 operating revenues will be sufficient to cover the deficit.

IV. Detailed notes on all funds

A. Cash and investments

The County's deposits are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. Category 3 represents uncollateralized deposits, of which the County has none.

	Category		Bank	Book
	1	2	Balance	Balance
Bank accounts	$ 800,000	$ 4,612,233	$ 5,412,233	$ 2,576,190

The County's investments are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are registered, or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counterparty's trust department or agent in the County's name. Category 3 represents uninsured and unregistered investments, not held in the County's name. The County does not have Category 3 investments. The categories of the County's investments at June 30, 2004, were as follows:

	Category 1	Category 2	Carrying Amount	Fair Market Value
Certificates of Deposit	$ 32,427,380	$ -	$ 32,427,380	$ 32,427,380
Flexible Repurchase Agreements	-	47,234,079	47,234,079	47,234,079
GNMA Pool	12,680,854	-	12,680,854	12,435,280
PEFCO Bonds	2,198,300	-	2,198,300	2,201,200
	$ 47,306,534	$ 47,234,079	94,540,613	94,297,939
Investment in State Treasurer's Investment Pool			92,000,000	92,000,000
Total investments			$186,540,613	$186,297,939

A reconciliation of cash and investments for the County follows:

Bank accounts	$	2,576,190
Petty cash on hand		1,520
Reconciling items		(3,605,996)
Carrying amount of investments		186,540,613
Total cash and investments	$	185,512,327

Statement of Net Assets	
Cash and investments:	
Primary Government	$177,453,799
Component Unit	164,721
Restricted assets:	
Primary Government	610,696
Component Unit	226,203
Statement of Fiduciary Net Assets	7,056,908
Total cash, investment and restricted assets	$185,512,327

The County is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2004. Investments held at the State Investment Pool are monitored by the State Treasurer's Office and the State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

B. Receivables

	Taxes	Other	Allowance for Uncollectable Accounts	Net Receivables
Governmental Funds:				
Major Funds:				
General Fund	$ 14,810,280	$ 2,535,838	$ 657,979	$ 16,688,139
Nonmajor Funds	1,630,421	51,889	89,629	1,592,681
Total governmental activity funds	16,440,701	2,587,727	747,608	18,280,820
Business-type activities:				
Enterprise Funds	-	2,137,398	1,177,555	959,843
Component Unit:				
Redevelopment Corporation	-	704	-	704
Agency Funds	23,560,388	1,326,294	1,506,125	23,380,557
Total Receivables	$ 40,001,089	$ 6,052,123	$ 3,431,288	$ 42,621,924

Note receivable

On April 16, 1991, the County Commission approved a $100,000 loan to American G.I. Forum for the purpose of providing housing services to very low-income residents of Bernalillo County. The note is secured by a mortgage on certain real property owned by the American G.I. Forum. The repayment schedule was 24 monthly installments of $4,166 bearing no interest. The American G.I. Forum did not make the payments as scheduled. Subsequent agreements between the County and the Forum amended the scheduled payment amount and provided for interest to be paid. The latest revision dated December 16, 1997 provides for the Forum to make $800 monthly payments, including interest at 2.625% adjusted annually to match the current average interest rate for five-year Treasury Notes. The balance on this note was $9,478 at June 30, 2004.

C. Capital assets

Capital asset activity for the year was as follows:

	Balance June 30,2003	Increases	Decreases	Balance June 30, 2004
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 124,501,275	$ 3,900,083	$ (7,734,560)	$ 120,666,798
Construction in progress	14,615,312	12,404,474	(15,753,438)	11,266,348
Art	1,420,712	3,800	-	1,424,512
Total capital assets, not being depreciated	140,537,299	16,308,357	(23,487,998)	133,357,658
Capital assets, being depreciated:				
Buildings	231,942,111	4,095,528	(7,650)	236,029,989
Machinery and equipment	60,666,161	3,188,380	(1,523,150)	62,331,391
Infrastructure	186,343,476	13,449,797	(1,439,027)	198,354,246
Leasehold improvements	2,804,000	-	-	2,804,000
Total capital assets being depreciated	481,755,748	20,733,705	(2,969,827)	499,519,626
Less Accumulated depreciation for:				
Buildings	(37,407,922)	(9,298,442)	77	(46,706,287)
Machinery and equipment	(46,463,250)	(5,059,575)	1,503,195	(50,019,630)
Infrastructure	(50,698,496)	(6,482,964)	239,933	(56,941,527)
Leasehold improvements	(233,667)	(112,160)	-	(345,827)
Total accumulated depreciation	(134,803,335)	(20,953,141)	1,743,205	(154,013,271)
Total capital assets, being depreciated, net	346,952,413	(219,436)	(1,226,622)	345,506,355
Governmental activities capital assets, net	$ 487,489,712	$ 16,088,921	$ (24,714,620)	$ 478,864,013

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 432,002	$ -	$ (5,502)	$ 426,500
Construction in progress	-	409,807	5,502	415,309
Total capital assets, not being depreciated	432,002	409,807	-	841,809
Capital assets, being depreciated:				
Buildings	2,852,987	5,616	-	2,858,603
Machinery and equipment	1,646,754	40,128	-	1,686,882
Total capital assets being depreciated	4,499,741	45,744	-	4,545,485
Less accumulated depreciation for:				
Buildings	(771,801)	(66,420)	-	(838,221)
Machinery and equipment	(1,607,331)	(47,228)	-	(1,654,559)
Total accumulated depreciation	(2,379,132)	(113,648)	-	(2,492,780)
Total capital assets, being depreciated, net	2,120,609	(67,904)	-	2,052,705
Business-type activities capital assets, net	$ 2,552,611	$ 341,903	$ -	$ 2,894,514

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities:				
Component Unit:				
Capital assets, not being depreciated:				
Land	$ 44,563	$ -	$ (7,711)	$ 36,852
Capital assets, being depreciated:				
Buildings	2,542,972	9,202	-	2,552,174
Machinery and equipment	5,130	-	-	5,130
Total capital assets, being depreciated	2,548,102	9,202	-	2,557,304
Less accumulated depreciation for:				
Buildings	(356,059)	(121,876)	-	(477,935)
Machinery and equipment	(257)	(1,026)	-	(1,283)
Total accumulated depreciation	(356,316)	(122,902)	-	(479,218)
Total capital assets, being depreciated, net	2,191,786	(113,700)	-	2,078,086
Business-type activities capital assets, net	$ 2,236,349	$ (113,700)	$ (7,711)	$ 2,114,938

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 2,306,220
Public safety	9,907,711
Culture and recreation	728,066
Public works	7,285,530
Health and welfare	725,614
Total depreciation expense-governmental activities	$ 20,953,141

Business-type activities:		
Solid waste	$	9,093
Housing Authority		61,137
Seybold Village		43,418
Total depreciation expense-business-type activities	$	113,648

Depreciation expense was charged to component unit as follows:

Business-types activities, component unit:		
Redevelopment Corporation	$	122,902

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2004, is as follows:

	Due from Other Funds	Due to Other Funds
Governmental funds:		
Major funds		
General Fund	$ 4,503,471	$ 1,368,257
Grants Fund	829,162	3,196,750
Water/Wastewater	129,930	4,093
Total major funds	5,462,563	4,569,100
Nonmajor funds	167,350	1,506,855
Nonmajor enterprise funds	490,400	400,800
Internal service funds:		
Risk Management Fund	378,828	-
Component unit:		
Redevelopment Corporation	550	22,936
	$ 6,499,691	$ 6,499,961

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund $1,397,000 and the public works grants fund $100,000. The environmental fund financed the initial start-up of the solid waste fund through an advance of which $431,097 is outstanding at June 30, 2004.

During the year, the County makes various transfers of monies to fund debt service payments, capital projects, and to reimburse the General fund for cost incurred on behalf of other funds. Interfund transfers for the year ended June 30, 2004 were as follows:

	Transfers From	Transfers To
Governmental funds:		
Major funds:		
General Fund	$ 3,768,885	$ 27,216,717
Grants Fund	71,213	-
Water/Wastewater	5,204,432	-
Nonmajor funds	26,230,437	7,858,250
Enterprise funds	-	200,000
Total transfers	$ 35,274,967	$ 35,274,967

E. Leases

Capital Leases

The County is obligated to the State of New Mexico, under certain leases that are accounted for as capital leases. The County does not pay interest on the capital lease obligation. Assets under capital leases totaled $2,695,850 at June 30, 2004. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2004:

	Amount
2005	$ 212,282
2006	212,282
2007	212,282
2008	212,282
2009	212,282
2010-2014	713,264
Total minimum lease payments	$ 1,774,674

Operating Leases

During the fiscal year ended June 30, 2004, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2004, were $1,413,706. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2004, are as follows:

		Amount
2005		$ 1,379,829
2006		3,000
2007		3,000
2008		3,000
2009		3,000
	Total	$ 1,391,829

The County shares building expense on One Civic Plaza (City/County Building) on a year-to-year basis. A joint City/County annual operating budget for the building is established one month prior to the commencement of the fiscal year.

During the year, the County, as lessor, leased various office spaces at a cost of approximately $2.24 million and a carrying amount of $1.73 million under operating leases. Rental revenue was $194,733 and depreciation expense on those assets was $86,169.

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004	Amounts Due within One Year
Governmental Activities:					
Bonds and notes payable:					
G.O. bonds	$ 77,155,000	10,210,000	$ (3,450,000)	$ 83,915,000	$ 4,465,000
Revenue bonds	184,910,378	12,000,000	(4,685,378)	192,225,000	4,885,000
Long-term note	2,846,428	-	(2,846,428)	-	-
Deferred amounts:					
Bond premiums	23,054		(1,795)	21,259	-
Bond discounts		(16,117)	806	(15,311)	-
Refunding	(619,438)		77,430	(542,008)	-
Total bonds and Notes payable	264,315,422	22,193,883	(10,905,365)	275,603,940	9,350,000
Other liabilities:					
Capital leases	1,577,949	382,100	(185,375)	1,774,674	212,280
Compensated absences	7,144,858	5,199,579	(4,334,549)	8,009,888	1,112,137
Governmental activity Long-term liabilities	$ 273,038,229	$ 27,775,562	$ (15,425,289)	$ 285,388,502	$ 10,674,417

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004	Amounts Due within One Year
Business-type Activities:					
Enterprise funds:					
Compensated absences	$ 171,085	$ 164,412	$ (162,068)	$ 173,429	$ 9,556
Component Unit:					
Bonds payable	$ 1,885,000	$ -	$ (35,000)	$ 1,850,000	$ 35,000

Compensated absences for governmental activities are generally liquidated by the general fund.

General Obligation Bonds are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on property located within the County. During fiscal year 2004, the County issued $10,210,000 in general obligation bonds. The general obligation bonds outstanding as of June 30, 2004 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1995	$ 6,135,000	4.70%-5.00%	August 1, 2010
Series 1996	3,775,000	5.00%-5.38%	August 1, 2010
Series 1997	9,195,000	4.50%-6.50%	December 1, 2017
Series 1999	16,235,000	4.50%-6.50%	August 1, 2019
Series 2000	8,815,000	5.10%-7.00%	February 1, 2020
Series 2001	4,600,000	4.10%-4.80%	October 1, 2021
Series 2002	16,400,000	3.20%-4.70%	February 15, 2022
Series 2002A	8,550,000	3.00%-4.25%	February 15, 2017
Series 2003	10,210,000	3.15%-4.65%	December 15, 2023
Total	$ 83,915,000		

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. During the fiscal year 2004, the County issued $12,000,000 in gross receipts tax revenue bonds. The gross receipts tax revenue bonds outstanding as of June 30, 2004 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996	$ 350,000	5.10%	April 1, 2005
Series 1996B	59,305,000	4.70%-5.70%	April 1, 2027
Series 1997	14,275,000	4.45%-5.75%	October 1, 2017
Refunding Series 1998	50,350,000	4.05%-5.25%	April 1, 2027
Series 1999	54,040,000	5.00%-5.75%	October 1, 2026
Series 2002	1,905,000	3.00%-3.50%	November 15, 2011
Series 2004	12,000,000	3.00%-5.25%	June 15, 2025
	$ 192,225,000		

The annual requirement to amortize general obligation and gross receipts tax revenue bonds is as follows:

	Governmental Activities		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2005	$ 9,350,000	$ 9,857,666	$ 19,207,666
2006	9,440,000	9,662,783	19,102,783
2007	10,565,000	9,430,354	19,995,354
2008	11,130,000	9,201,874	20,331,874
2009	11,550,000	8,923,741	20,473,741
2010-2014	59,190,000	39,727,025	98,917,025
2015-2019	67,125,000	30,010,843	97,135,843
2020-2024	60,610,000	18,025,451	78,635,451
2025-2027	37,180,000	3,800,240	40,980,240
	$ 276,140,000	$ 138,639,977	$ 414,779,977

At June 30, 2004, the following general obligation bonds were authorized and unissued.

Approved by Voters on	**Purpose**	**Authorized**
November 5, 2002	Road Construction and Repair	$ 1,714,000
November 5, 2002	Storm Drain	1,315,000
November 5, 2002	Parks and Recreation	1,255,000
November 5, 2002	Public Safety	1,506,000
Total		$ 5,790,000

Prior Refunding. In prior years, the County defeased certain general obligation and gross receipts tax revenue bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2004, $49,275,000 of gross receipts tax revenue bonds and $9,360,000 of general obligation bonds outstanding are considered defeased.

Component unit long-term debt

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds outstanding as of June 30, 2004, is as follows:

	Principal	Interest	Total
2005	$ 35,000	$ 108,225	$ 143,225
2006	35,000	106,177	141,177
2007	40,000	104,130	144,130
2008	40,000	101,790	141,790
2009	45,000	99,450	144,450
2010-2014	260,000	455,715	715,715
2015-2019	345,000	370,012	715,012
2020-2024	450,000	257,399	707,399
2025-2029	600,000	109,394	709,394
Total	$ 1,850,000	$ 1,712,292	$ 3,562,292

G. Short-term debt

Tax and Revenue Anticipation Notes

On July 8, 2003, December 15, 2003, and June 30, 2004 the County issued tax and revenue anticipation notes (TRANs) in the amount of $25,000,000, $20,000,000, and $25,000,000 respectively. The County issues TRANs in advance of property tax collections, depositing the proceeds in its general fund. These notes are used to finance current expenditures pending receipt of tax payments in May and November.

Short-term debt activity for the year ended, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	$ 30,000,000	$ 70,000,000	$ (55,000,000)	$ 45,000,000

H. Special assessment bonds

The County, acting as the agent for the property owners, issued Special Assessment District Improvement Bonds to finance street and road improvements. The bonds are payable from and secured by a pledge of district special assessments. For redemption purposes, the bonds are numbered consecutively. All or any part of the bonds are subject to redemption in numerical order at the option of the County on any interest payment date prior to maturity, at a price equal to the principal amount thereof plus accrued interest to the redemption. The bonds bear interest from their issue date and are paid semiannually thereafter until paid. The bonds are not a debt of the County, and the County did not pledge its full faith and credit for payment of the bonds. The payment of the bonds is not secured by any encumbrance, mortgage, or other pledge of property of the County except for district special assessments. No property of the County, subject to foregoing exception, shall be liable to be forfeited or taken in payment of the bonds.

The activities relating to the collection of special assessments and the payments on special assessment bonds are included in the agency fund accounts.

The following is a summary of Special Assessment Bonds payable as of June 30, 2004:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2004
Heatherland Hills BC-85-5	6.75%	1/95	9/1/04	$135,000	$5,000
Comanche Griegos BC-83-1	7.25%	12/03	12/15/23	$1,390,000	$1,390,000

At June 30, 2004, the Second Street, East Mountain, Paradise Hills, and South Valley special assessment bonds had been fully paid. The remaining potential assets were as follows:

	Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1
Cash and investments	$ -	$ 14,225	$ 7,174	$ 13,095
Accounts receivable:				
Billed, but uncollected	1,804	21,699	21,905	62,361
Total	$ 1,804	$ 35,924	$ 29,079	$ 75,456

In accordance with State Statute Section 4-55A-28, NMSA, 1978 Compilation, the Board of County Commissioners may transfer to the general fund money obtained from the levy of an assessment for an improvement district if:

1. Bonds or assignable certificates were issued to finance the improvement; and
2. The funds obtained by the bonds or assignable certificates were spent for the improvement; and
3. The assessments were levied and collected for the payment of the bonds or assignable certificates; and
4. Either the bondholders or assignable certificate holders are barred by the statute of limitations or a court judgment or decree from collecting the indebtedness; or
5. The bonded indebtedness or assignable certificates have been paid.

I. Conduit debt obligations

From time to time, the County has issued Multifamily Housing Revenue Bonds to provide financial assistance to private-sector entities for the acquisition, construction and rehabilitation of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

During 1998, the County issued Taxable Single Family Mortgage Revenue Bonds for the purpose of providing funds for single family housing loans, including down payment assistance, for County residents. The bonds are payable solely from payments received on the underlying mortgage loans.

Neither the County, the State of New Mexico nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there were eleven series of project revenue bonds outstanding, with an aggregate principal amount payable of $97,401,000 and one series of mortgage revenue bonds outstanding with a principal amount payable of $5,038,094.

J. Reserve fund balance

The New Mexico Department of Finance and Administration requires that 3/12 of budgeted expenditures be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection; however, Bernalillo County, with DFA approval, reserves 3/12 of FY05 budgeted expenditures $31,815,165 plus the reserve for budget stabilization $4,821,648. The remaining portion of the fund balance is reserved for unencumbered carryover $6,972,537.

K. Financial data schedule reconciliation

The Seybold Village Handicapped Project Enterprise Fund was presented in two columns on the Financial Data Schedule. The net assets reconcile to the financial statements as follows:

Net Assets	Amount
Net Assets – Low Rent 14.850	$ 1,508,259
Net Assets– CFP 14.872	25,736
Net Assets– Seybold Village Handicapped Project	$ 1,533,995

The Section 8 Housing-Voucher Special Revenue Fund was presented in accordance with GASB 34 on the Financial Data Schedule. The equity balance was adjusted to remove the effects of the capital asset additions that are not reflected in the governmental fund presentation.

Net Assets –Housing Choice Voucher 14.871	$	97,579
Reduction of capital assets		(77,883)
Accumulated depreciation		61,437
Fund balance – Section 8 Housing-Vouchers	$	81,133

L. Restatement of prior year fund balance

A prior year erroneous posting of an accounts payable for $1,692,835 and an account receivable for $242,674 in the General Fund were corrected in fiscal year 2004. The effect on the General Fund reserved fund balance as of June 30, 2003 of $41,979,016 as previously reported was an increase of $1,450,161 to reflect the corrections. An erroneous posting of interest to the Parks and Recreation Fund in the amount of $13,943 and to the Road Construction Fund in the amount of $197,249 was corrected in fiscal year 2004. The effect on the Parks and Recreation Fund and Road Construction unreserved fund balances as of June 30, 2003 of $2,705,355 and $1,480,349 respectively, as previously reported was a decrease of $13,943 and $197,249 to reflect the correction. A prior year accounts payable in the amount of $171,336 was not recorded in the correct period. The effect on the Solid Waste Fund net assets of $540,828 as previously reported was a decrease of $171,336 to reflect the correction. An erroneous posting of accounts payable to the 1998 Refunding Revenue Bond Fund in the amount of $57,291 was corrected in fiscal year 2004. The effect on the 1998 Refunding Revenue Bond Fund unreserved fund balance of ($93,359) as previously reported increase to reflect the correction.

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined with other county governments to form a Workers' Compensation Pool in July 1987 and a Multiline Pool in January 1989. These public entity risk pools operate as a common risk management and insurance program for workers' compensation and property and casualty coverage. The County pays an annual premium to the pools for general insurance coverage.

The pools are authorized by joint powers agreements entered into by each county as a separate and independent governmental and legal entity pursuant to the provisions of NMSA 1978 Sections 11-1-1 et seq. The agreements for formation of the Pools provide that the pools be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of $300,000 and $250,000, respectively, for each insured event. Both pools are funded entirely by member premiums and are administered by the New Mexico County Insurance Authority.

The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 28 counties in this pool, which for fiscal years ended 2004 and 2003 contributed a total of $3,135,464 and $2,916,780 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2004 and 2003, the County contributed $404,879 and $368,022 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2003 through June 30, 2004 was $300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited.

The Multiline Pool provides property and casualty coverage for 24 counties. The coverage includes buildings and contents, automobile physical damage, general liability, personal injury (including civil rights), host and liquor liability, automobile liability, public officials errors and omissions, money and securities, commercial blanket bond (employee fidelity), and depositors forgery. The total premiums for this pool were $6,113,370 and $5,775,844 for the years ending December 31, 2004, and 2003, respectively. The County paid premiums to the Multiline Pool in calendar years 2004 and 2003 of $1,641,169 and $1,773,052, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2004 through December 31, 2004 is $150,000 for property and $250,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a policy limit of $2,000,000. Additionally, the pool has purchased another excess liability policy in the amount of $3,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The Pool Boards retain a $3,000,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred. The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2004, 2003, and 2002.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2004, which can be obtained from the New Mexico Association of Counties, 613 Old Santa Fe Trail, Santa Fe, New Mexico, 87501.

The County carries commercial insurance for all other risks of loss, including law enforcement liability, emergency medical, foreign jurisdiction and excess liability, boiler and machinery, and sheriff reserve and rescue personnel. There were no payments in excess of insurance coverage for the years ended June 30, 2004, 2003, and 2002.

B. Contingencies

Litigation. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County. There were 78 open cases during fiscal year 2004. Twenty cases were closed subsequent to June 30, 2004. Fifty-eight cases remain open as of June 30, 2004. Insurance deductibles related to outstanding claims are estimated not to exceed $100,000. The County is not aware of other threatened lawsuits or claims pending in excess of $50,000.

Grant Compliance. The County receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2004, management estimates that no material liabilities will result from such audits.

County Medicaid 1/16 Gross Receipts Tax Equivalent. Under State Statute Section 27-10-4, NMSA 1978 Compilation, a county which does not enact an ordinance imposing a county health care gross receipts tax pursuant to State Statute Section 7-20E-18, NMSA 1978 Compilation is required to dedicate to the county-supported Medicaid fund "an amount equal to a gross receipts tax rate of 1/16 of one percent applied to the taxable gross receipts tax reported during the prior fiscal year by persons engaging in business in the county." The County is currently complying with this statute through an arrangement with University Hospital. University Hospital transfers the equivalent of 1/16 percent gross receipt tax from revenues it receives to comply with the statute. However, if University Hospital fails to make this transfer, the County is liable for the transfer each year. Currently, that amount is approximately $8.2 million annually.

Other. At June 30, 2004, the County is committed to spend $5,182,160 under construction contracts for general fixed assets.

C. Joint ventures

Regional Juvenile Detention Center. The Regional Juvenile Detention Center (RJDC) was established by a joint powers agreement between Bernalillo, Sandoval, and Valencia counties on June 26, 1996. The County manages and operates the facility, which is the primary juvenile detention center for Sandoval and Valencia counties and serves as an adjunct to the County's Juvenile Detention Center. Sandoval and Valencia counties contribute one hundred percent of the costs of the operation of RJDC. The County receives a seven percent administrative fee for its management services. The operation is accounted for in a proprietary fund to provide management control and accountability to participants.

Torrance County/Bernalillo County Regional Landfill. The County and the Torrance County Solid Waste Authority (TCSWA) entered into a joint powers agreement on April 21, 1998 for the construction and operation of a regional landfill. The County contributed $633,000 toward the initial costs of acquiring, constructing, designing, developing, and equipping the facility, which constitutes its total equity interest. The County's ownership interest is commensurate with the proportion of funds it provided. It is the intent of the parties to establish tipping fees in an amount sufficient to recover all of the operating costs of the landfill.

Upon termination of the agreement, assets and surplus funds will be distributed pro rata between the parties in accordance with their then existing ownership interests.

TCSWA will operate the facility and is designated as the fiscal agent. The financial report of the Torrance County/Bernalillo County Regional Landfill can be obtained from the Torrance County Solid Waste Authority, 515 Allen Street, Estancia, New Mexico 87016.

D. Retiree Health Care Act

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contributions becomes the time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium for the basic single plan and an additional five dollars ($5.00) if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo, Suite D, Santa Fe, New Mexico 87505.

For the fiscal year ended June 30, 2004, the County remitted $625,260 in employer contributions and $312,631 in employee contributions to the Retiree Health Care Authority.

E. Public employees' retirement

Plan Description. Substantially all of the Bernalillo County full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 9.15-16.3% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ending June 30, 2004, 2003, and 2002 were $5,928,824, $5,547,120, and $5,481,717 respectively, equal to the amount of the required contributions for each year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of seventy-five percent of its employees' member contributions under the General-management, blue collar, white collar, sheriff and fire plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2004.

	Employee		Employer	
Covered Division	**Percent**	**Dollars**	**Percent**	**Dollars**
General-management, blue collar and white collar	13.15%	$4,205,942	9.15%	$2,926,568
General-other	9.15	58,336	9.15	66,209
Sheriff	16.30	1,784,253	18.50	2,025,072
Fire	16.20	694,485	21.25	910,975

F. Investments at the State Treasurer Local Government Investment Pool

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10-1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary.